

Message Text

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SUBJ: LEYLAND AUSTRALIA CEASES AUTO MANUFACTURING

REF : CANBERRA 4426

SUMMARY

LEYLAND MOTOR CORPORATION OF AUSTRALIA LIMITED ANNOUNCED 10 OCTOBER 1974, IT WOULD CEASE TO MANUFACTURE AUTOMOBILES IN AUSTRALIA, CLOSE ONE OF ITS PLANTS AND CONCENTRATE ON ASSEMBLING AUTOMOBILES WITH PARTS MOSTLY IMPORTED FROM ITS PARENT COMPANY IN THE UK. IN THE PROCESS ABOUT HALF OF ITS LABOR FORCE OF 5,200 WOULD BE DISCHARGED. END SUMMARY.

2. LEYLAND MOTOR CORPORATION OF AUSTRALIA LIMITED, A WHOLLY OWNED SUBSIDIARY OF BRITISH LEYLAND MOTOR CORPORATION OF THE UK, WAS ESTABLISHED IN AUSTRALIA IN 1950. IT OPERATED A MANUFACTURING ASSEMBLY LINE OPERATION FOR AUTOMOBILES ON A 64 ACRE SIGHT IN ZETLAND, A SYDNEY INNER SUBURB, AN ASSEMBLY LINE AT ENFIELD FOR SMALL CARS, TRUCK AND BUS DIVISIONS AT REVESBY IN NEW SOUTH WALES AND FOOTSCRAY

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IN VICTORIA AND A PARTS AND ACCESSORIES DIVISION AT

LIVERPOOL IN NSW. THE AUSTRALIAN COMPANY HAS LOST MONEY FOR MANY YEARS AND IT IS ESTIMATED LOSSES ON ITS BOOKS TOTAL IN EXCESS OF US DOLLARS 65 MILLION. DURING THE PAST YEAR ITS MANAGING DIRECTOR WAS REPLACED WITH A PARENT COMPANY EXECUTIVE BUT THIS FAILED TO HELP PROFITABILITY OR OPERATION.

2. THE FEDERAL LABOR GOVERNMENT HAS AGREED TO ASSIST LEYLAND BY PURCHASING THE 64 ACRE PROPERTY FOR US DOLLARS 32.7 MILLION AND 800 VEHICLES. LEYLAND HAS AGREED TO SEVERAGE PAYOUTS WHICH COULD REACH US DOLLARS 9.5 MILLION, TO PHASE OUT ITS AUTOMOBILE MANUFACTURING OVER A SEVERAL MONTH PERIOD AND TO PARTICIPATE IN A JOINT RELOCATION SCHEME FOR DISCHARGED EMPLOYEES.

3. LEYLAND'S PLANS ARE TO EXPAND FACILITIES AT ITS ENFIELD PLANT AND CONCENTRATE ON THE ASSEMBLY OF SMALL CARS, MOSTLY FROM IMPORTED PARTS FROM ITS UK PARENT. THE TRUCK, BUS AND ACCESSORY OPERATIONS WILL NOT BE AFFECTED AND ARE SAID TO BE OPERATING PROFITABLY.

4. LEYLAND ATTEMPTED TO TURN ITS LOSSES AROUND WITH THE INTRODUCTION OF AN AUSTRALIAN DESIGNED NEW FULL SIZE PASSENGER CAR IN 1973 BUT IT HAS BEEN A SPECTACULAR FAILURE. ONLY ABOUT 13 THOUSAND WERE SOLD FROM JUNE 1973 THROUGH AUGUST 1974 AND OF THIS TOTAL 6 THOUSAND WERE SOLD IN 1974. LEYLAND EXECUTIVES AGREED THIS WAS THE IMMEDIATE CAUSE OF ITS CLOSURE OF MANUFACTURING FACILITIES.

5. THE AUSTRALIAN INDUSTRIES ASSISTANCE COMMISSION IN JUNE, 1974 (SEE REFTTEL) ISSUED A REPORT WHICH RECOMMENDED, AMONG OTHER THINGS, THERE BE ONLY THREE LOCAL MANUFACTURERS OF AUTOMOBILES. IT WAS WIDELY PRESUMED AT THE TIME THAT IT ENVISAGED ONLY GM HOLDEN, FORD AND CHRYSLER AS THE REMAINING COMPANIES.

6. TIRE, PARTS AND ACCESSORY SUB-CONTRACTORS WHO FURNISHED MATERIAL FOR LEYLANDS MANUFACTURING PLANT WILL ALSO SUFFER FROM THE CLOSURE. INDUSTRY SOURCES UNCLASSIFIED

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INDICATE A TEN TO FIFTEEN PERCENT RETRENCHMENT MAY BE NECESSARY IN THE SHORT RUN, BUT ARE HOPEFUL THE EXPANDED ASSEMBLY OPERATION AT ENFIELD WILL ULTIMATELY TAKE UP MOST OF THIS SLACK.

7. COMMENT
AUTOMOBILE LABOR UNIONS IN SYDNEY HAVE PREDICTABLY BEEN VOCAL IN CONDEMNING BOTH LEYLAND'S AND THE GOVERNMENT'S

ACTIONS OVER CLOSING OF THE COMPANY'S MANUFACTURING OPERATIONS BUT THE GENEROUS TERMS OF SEVERANCE PAYMENTS AND RELOCATION SCHEMES WILL NO DOUBT BE ACCEPTABLE TO THE LABOR GOVERNMENT AND THE AUSTRALIAN COUNCIL OF TRADE UNIONS. SPECULATION AND RUMORS ABOUT THE CLOSING OF LEYLAND HAVE BEEN CIRCULATING IN INDUSTRY CIRCLES FOR MONTHS. THE ACTUAL CLOSING WAS NOT A RESULT BUT COINCIDENTAL IN MEETING THE RECOMMENDATIONS OF THE INDUSTRIES ASSISTANCE COMMISSION REPORT. LABOR MARKET SOURCES INDICATE THE 2,600 DISCHARGED EMPLOYEES, MOSTLY OF IMMIGRANT BACKGROUND AND MANY OF WHOM SPEAK LITTLE ENGLISH, MAY HAVE SOME DIFFICULTY IN FINDING OTHER POSITIONS IN THIS PERIOD OF HIGH UNEMPLOYMENT IN AUSTRALIA. ANDERSON

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